

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00 INRE-00
CIAE-00 PM-04 H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01
PRS-01 SP-02 SS-15 TRSE-00 EB-08 OMB-01 ACDA-07 OES-06
SAL-01 DLOS-06 /081 W
-----101722Z 108830 /43

O R 101640Z MAR 77
FM AMEMBASSY COPENHAGEN
TO SECSTATE WASHDC IMMEDIATE 4102
USMISSION NATO IMMEDIATE
SECDEF WASHDC IMMEDIATE
INFO AMEMBASSY ANKARA
AMEMBASSY ATHENS
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LISBON
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY OSLO
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY REYKJAVIK
AMEMBASSY ROME
AMEMBASSY THE HAGUE
USCINCEUR VAIHINGEN GE
USNMR SHAPE

C O N F I D E N T I A L COPENHAGEN 1459

3.O.: 11652: GDS
TAGS: MPOL, NATO, DA
SUBJ: NEW DANISH DEFENSE AGREEMENT: FUNDING LEVELS

1. MOST OF THE PROVISIONS OF THE NEW DANISH DEFENSE AGREE-
MENT ARE WELL UNDERSTOOD SINCE THEY ARE SIMPLY CARRIED OVER
FROM THE FOUR-YEAR AGREEMENT WHICH EXPIRES MARCH 31. IT MAY
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BE WORTH REPEATING THAT THE NEW (1977-81) AGREEMENT IS STILL
UNDER CONSIDERATION IN THE FOLKETING BUT THAT ITS PASSAGE--
PROBABLY DURING THE WEEK OF MARCH 21-- IS A FOREGONE CONCLU-
SION. IT STILL REMAINS UNCERTAIN WHETHER THE RADICAL PARTY,
WHICH HOLDS SIX SEATS IN THE PRESENT 179-MEMBER
CHAMBER, WILL JOIN THE AGREEMENT. MOST RECENT PUBLIC
STATEMENTS BY PARTY SPOKESMEN INDICATE THAT THEY WILL

NOT. THEIR VOTES, HOWEVER, ARE NOT NEEDED TO ASSURE
A COMFORTABLE PARLIAMENTARY MAJORITY.

2. THERE IS, HOWEVER, SOME APPARENT CONFUSION OVER
THE EXACT FUNDING LEVELS PROVIDED IN THE NEW AGREEMENT.
WE BELIEVE THAT THE FOLLOWING CLARIFICATION BASED ON
CAREFUL EXAMINATION OF THE AGREEMENT BY THE ARMY
ATTACHE AND REPORTING FROM USNATO WILL SERVE TO
CLARIFY ANY MISUNDERSTANDING.

A) THE BASIC ANNUAL DEFENSE EXPENDITURE FOR THE
FISCAL YEAR 77-78--THE FIRST OF THE NEW FOUR-YEAR
AGREEMENT PERIOD BEGINNING 1 APRIL 1977--WAS REACHED
AS FOLLOWS: THE APPROVED FY 76-77 (THE LAST YEAR OF
THE EXPIRING DEFENSE AGREEMENT) DEFENSE BUDGET FIGURE
OF DKR. 5,105,800,000 AT 1 APRIL 1975 PRICES WAS IN-
CREASED TO DKR. 5,547,000,000 TO OFFSET AN INFLATION
LEVEL OF ABOUT 9 PERCENT FROM 1 APRIL 75 TO 1 APRIL
76. TO THIS LATTER SUM WAS ADDED DKR. 151,000,000
FOR LSST YEAR'S CONSCRIPT PAY INCREASE PLUS DKR.
81,000,000 FOR THIS YEAR'S CONSCRIPT PAY INCREASE.
FINALLY, A DKR. 8,000,000 INCREASE FOR HOME GUARD
TRAINING WAS ADDED ON TOP TO REACH A TOTAL OF DKR.
5,787,000,000 FOR FY 77-78.

B) DEFENSE APPROPRIATIONS FOR THE FOLLOWING
FISCAL YEAR, 78-79, WILL BE INCREASED BY DKR. 81,000,000,
THE LAST INCREMENT OF THE CONSCRIPT PAY INCREASE, TO
REACH A TOTAL OF DKR. 5,868,000,000. THE LEVEL WILL
HOLD STEADY FOR FY 79-80 AND FY 80-81.
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C) HOWEVER, AND ADDITIONAL DKR. 500,000,000 WILL
BE SPENT OVER THE FOUR-YEAR PERIOD (1977-81) FOR
FISHERIES PROTECTION, UN PEACEKEEPING, ETC. THIS
AMOUNT WILL BE DIVIDED AMONG THE FOUR YEARS SO THAT
AN ANNUAL REAL INCREASE OF APPROXIMATELY 1.5 PERCENT IN
OVERALL DEFENSE SPENDING IS REALIZED. THIS IS THE
INCREASE TO WHICH AMBASSADOR SVART WAS REFERRING (REF C).

3. THE FIGURES ABOVE ARE NATIONAL BUDGET FIGURES
NOT ADJUSTED TO NATO'S DEFINITION OF DEFENSE SPENDING.
AMBASSADOR SVART ADJUSTED HIS FIGURES TO THE NATO
DEFINITION, WHICH APPARENTLY INCLUDES SUCH ITEMS AS
RETIRED PAY, THUS EXPLAINING THE DISCREPANCY BETWEEN
THESE FIGURES AND THOSE OF AMBASSADOR SVART.

4. THE AGREEMENT PROVIDES FOR INCREASING THE AMOUNTS
AVAILABLE FOR DEFENSE TO COVER DOMESTIC INFLATION
AND UNEXPECTED INCREASES IN THE COST OF PROCUREMENT

FROM ABROAD. FOR EXAMPLE, IF THE DANISH ARMY HAD SIX MILLION KRONER IN THIS YEAR'S BUDGET TO BUY 1,000 MACHINE GUNS FROM BELGIUM AT 6,000 KRONER PER GUN AND THE PRICE PER GUN JUMPED TO 7,000 KRONER PER GUN, THE FINANCE MINISTRY WOULD PROVIDE THE DEFENSE MINISTRY THE ADDITIONAL ONE MILLION KRONER FROM A FUND APPROVER IN THE BUDGET FOR THIS PURPOSE.

5. COMMENT: THIS IS THE FRAMEWORK WITHIN WHICH ALL DANISH DEFENSE EXPENDITURES WILL HAVE TO BE FUNDED OVER THE NEXT FOUR YEARS. REAL INCREASES COULD BE OBTAINED ONLY AT THE PERIL OF REOPENING THE ENTIRE DEFENSE COMPROMISE ISSUE THE SOLUTION OF WHICH HAS TAKEN MORE THAN A YEAR OF NEGOTIATION AMONG SIX POLITICAL PARTIES. (GIVEN THE VETO RIGHTS OF THE PARTICIPATING PARTIES IN THE COMPROMISE OVER A REOPENING OF A DISCUSSION ON DEFENSE SPENDING LEVELS, CONFIDENTIAL

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IT IS HIGHLY UNLIKELY THIS WOULD BE POSSIBLE.)

6. THERE IS, HOWEVER, AT LEAST ONE APPARENT "GIVE" IN DANISH PRACTICE: THAT IS, ASSURANCE THAT ADEQUATE FUNDS WILL BE AVAILABLE TO COVER PREVIOUSLY AGREED-- ON PROCUREMENT. THE DEVICE MENTIONED IN PARAGRAPH 4 ABOVE, MIGHT, FOR EXAMPLE, BE USED TO OBTAIN THE ADDITIONAL FUNDS NECESSARY TO COVER THE INCREASED COST TO DENMARK OF THE F-16. (IN JUNE 1975, THE DANISH PARLIAMENT AUTHORIZED THE PURCHASE OF THE AIRCRAFT BASED ON THE MOST PROBABLE, NOT THE NOT-TO-EXCEED, COST.

7. FINALLY, THE ESTIMATED DKR. 500 MILLION WHICH WILL BE USED, INTER ALIA, TO COVER THE COST OF PATROLLING THE EXTENDED, 200 MILE, TERRITORIAL WATER ZONE AROUND GREENLAND AND THE FAROES COULD WELL BE THE SOURCE FOR MORE DANISH PATROL BOATS, HELICOPTERS AND PERHAPS AN ADDITIONAL C-130. LUKENS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MILITARY EXPENDITURES, TROOP CONTRIBUTION AGREEMENTS, REGIONAL DEFENSE ORGANIZATIONS
Control Number: n/a
Copy: SINGLE
Sent Date: 10-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977COPENH01459
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770082-1264
Format: TEL
From: COPENHAGEN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770374/aaaacnjm.tel
Line Count: 159
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 9eb4d1ba-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 01-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3153743
Secure: OPEN
Status: NATIVE
Subject: NEW DANISH DEFENSE AGREEMENT: FUNDING LEVELS
TAGS: MPOL, DA, NATO
To: STATE NATO BRUSSELS
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/9eb4d1ba-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009